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Cushman & Wakefield release third quarter statistics for comm'l. market

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Cushman & Wakefield, (C&W) the global commercial real estate services firm, recently released third quarter statistics for the U.S. commercial real estate market that show an increase in the national office vacancy rate to 10.6% from 10.2% at the end of the second quarter. The most significant factor in the rise was the increase in the sublease vacancy rate, which rose to 1.5% at the end of September, from 1.2% at the end of June.

The rise in vacancy coincides with a 13.6% decline in office leasing activity, which totaled 53.4 million s/f through the end of the third quarter, compared to 61.8 million s/f for the same time last year. Net absorption, which is either a positive or negative measure of the change in occupied space, is negative 9.4 million s/f year-to-date. For the same period last year, absorption was positive 11.7 million s/f.

Despite the trend, average asking rents continued to rise, reaching $40.95 per s/f at the end of the quarter, compared with $40.19 from the end of June.

During the three months ended in September, 19 of 30 U.S. central business districts tracked by C&W experienced vacancy rate increases, while 11 markets experienced vacancy rate declines.

At the end of the third quarter, the lowest vacancy rates in the nation were in Boston, Mass., at 7%, New York, N.Y., at 7.4%, Washington, D.C., at 7.9%, New Haven, Conn., at 8%, and Portland, Ore., at 8.5%.

The largest three-month vacancy rate declines were in Oakland, Calif., to 14.2% from 15.4%, Dallas, Texas, to 26.5% from 27.4%, and Portland, Ore., to 8.5% from 9.1%.

The largest vacancy rate increases for the same period were in Palm Beach, Fla., to 18.8% from 16.2%, Baltimore, Md., to 13.5% from 11%, and Bellevue, Wash., to 9.5% from 7.1%.

"The slowdown in leasing activity year-over-year has largely been driven by uncertainty in the broader global economy," said Maria Sicola, executive managing director and head of research for C&W. "Combined with new construction completions and negative absorption, the slower leasing volume has driven vacancies higher in a majority of central business districts," she said.

"Rising unemployment year to date, and the more recent impact of issues affecting the banking and financial services sector, have caused many occupiers to reevaluate their long-term space requirements prior to making commitments," she said. "We expect average asking rents to show statistical declines by the end of this year, and vacancies to continue to rise through at least the first three quarters of 2009."

Cushman & Wakefield expects 15 million s/f of new office construction to be completed in major U.S. cities throughout 2009. So far this year, 6.9 million s/f of new construction completions have been added to the market, compared to 7.6 million s/f of construction completions through the third quarter of 2007.

The most active markets for new construction year-to-date include New York, with more than 2.1 million s/f, Washington, D.C., with 1.2 million s/f, Bellevue and Seattle, Wash., with 978,000 s/f and 518,000 s/f, respectively, and Chicago, with 439,000 s/f.